

# American

## NEWS & VIEWS

*A Daily Newsletter from Public Affairs, American Embassy*

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October 18, 2010

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**Summary of President Obama's Call with Chilean President Piñera**

THE WHITE HOUSE  
Office of the Press Secretary  
October 14, 2010

Readout of the President's Call with President Piñera of Chile

"Earlier today, President Obama called Chilean President Sebastian Piñera to congratulate him and the Chilean government on the historic rescue of the 33 miners trapped under more than 2,000 feet of rock in northern Chile since August 5. The President hailed the rescue as a tribute not only to the determination of the rescue workers and the Chilean government, but also the miners and the Chilean people who have inspired the world. President Piñera conveyed his thanks to the President, the United States government, and the American companies and individuals who provided support for the rescue efforts."

**Federal Reserve Head Discusses Policies to Promote Jobs, Recovery**

By Merle David Kellerhals Jr.  
Staff Writer

Washington — Sustained expansion of the U.S. economy must ultimately be driven by growth in consumer spending, business and residential investments, and exports, says Federal Reserve Chairman Benjamin Bernanke.

"Overall economic growth has been proceeding at a pace that is less vigorous than we would like," Bernanke said at an October 15 economic conference at the Federal Reserve Bank of Boston. His remarks were being closely followed by financial markets in the United States and abroad for signs of what actions the Federal Reserve may take to shore up the economic recovery and help sustain the expansion.

Bernanke told economists that the U.S. central bank remains committed to pursuing policies that promote maximum employment and price stability. Unemployment in the United States is currently at 9.6 percent and has changed little for most of the year.

High unemployment has held consumers back from spending because unemployment tends to hold down wages and raises uncertainty among workers about their job security. Since June, the private sector has added an average of about 85,000 workers a month, which is "not enough to bring the unemployment rate down significantly," Bernanke said.

The Federal Reserve has a dual mission: keep inflation in check and maximize employment.

The United States and most major global economies entered a recession in December 2007 and began recovery by July 2009, following a series of "forceful actions" by central banks and other policymakers around the world, Bernanke said. These measures, though not always popular or well understood, helped to stabilize the global financial system and restore normal function to key financial markets, he added.

The 2007-2009 recession is regarded as the most severe since the Great Depression of the 1930s. Based on the analysis by the National Bureau of Economic Research, which officially charts the business cycle, it was the longest on record since the end of World War II in 1945. Recessions and expansions are based on a complex array of economic indicators that include employment, gross domestic product, income, industrial production, wholesale and retail sales and export trade data.

"Although the pace of recovery has slowed in recent months and is likely to continue to be fairly modest in the near term, the preconditions for a pickup in growth next year remain in place," Bernanke told the economists.

The contribution to the economy made by two federal stimulus measures is expected to decline steadily over coming quarters, but not so quickly that they derail the economy, Bernanke said. In February 2009, President Obama signed into law a \$787 billion economic stimulus plan to shore up the economy and stabilize the U.S. financial sector. It followed an October 2008 \$700 billion economic bailout package by then President George W. Bush that aimed to support the nation's financial sector in the face of a rapidly worsening recession.

Bernanke also said that continued solid expansion among the economies of U.S. trading partners should help to support foreign sales and growth in the United States.

Federal Reserve policymakers are evaluating measures to buy additional long-term U.S. Treasury securities intended to lower long-term interest rates that would stimulate buying and spending. The previous program by the Federal Reserve in which it bought \$1.7 trillion in mortgage securities and treasury securities helped to stimulate economic recovery.

But Bernanke warned that the Federal Open Market Committee (FOMC) — the policymaking committee of the Federal Reserve — would have to weigh the benefits and costs of such measures before launching any initiative. The committee meets again November 2-3 in Washington.

"The FOMC will take account of the potential costs and risks of nonconventional policies, and, as always, the committee's actions are contingent on incoming information about the economic outlook and financial conditions," Bernanke added.

### **U.S. Treasury Delays Report on Currency Exchange Rates**

By Merle David Kellerhals Jr.  
Staff Writer

Washington — The U.S. Treasury delayed publishing a report on China's currency policies until after the Group of 20 advanced economies meets in Seoul November 11.

The congressionally mandated report, required twice a year, is designed to determine whether any countries are manipulating their currencies and exchange rate policies. The United States has been concerned that China may have been manipulating its currency, the yuan, against the U.S. dollar to gain an unfair trade advantage.

"Secretary of the Treasury Timothy Geithner recognized China's actions since early September to accelerate the pace of currency appreciation [against the dollar], while noting it is important to sustain this course," the Treasury said in a prepared statement October 15.

"By continuing to implement reforms to strengthen domestic demand and by allowing the exchange rate to move higher to reflect fundamental economic forces, China will make a significant positive contribution to the global rebalancing effort, help reduce pressure on those emerging market economies that have more flexible exchange rates, and provide a more level playing field for trading partners around the world," the Treasury statement said.

Since June 19 when China announced it would renew reform of its exchange rate and allow it to move higher in response to market forces, the Chinese currency has appreciated by roughly 3 percent against the U.S. dollar. Since September 2, the pace of appreciation has accelerated to a rate of more than 1 percent per month.

"If sustained over time, this would help correct what the [International Monetary Fund] has concluded is a significantly undervalued currency," the Treasury statement said.

On June 19, President Obama said, "China's decision to increase the flexibility of its exchange rate is a constructive step that can help safeguard the recovery and contribute to a more balanced global economy."

In July 2008, during the global economic slowdown, China once again fixed the value of the yuan to the dollar

after having let it slowly move previously. The policy helped to protect its export market as global demand for consumer goods declined. Critics argued that the policy unnaturally undervalued the yuan, making China's exports cheaper and giving Chinese companies an unfair advantage over their foreign competitors, which led to job losses outside China.

By including several other currencies besides the U.S. dollar to determine its value, the yuan is expected to grow stronger and be able to appreciate in value against the U.S. dollar.

In his June 19 statement, Geithner urged "vigorous implementation" of China's more flexible currency policy. By doing so, China "would make a positive contribution to strong and balanced global growth," he said.

According to the U.S. Commerce Department, the U.S. trade deficit with China rose 8.2 percent in August to \$28 billion, which exceeded the record \$27.9 billion set in October 2008. Commerce economists said the U.S. trade deficit with China this year is running at approximately 20.6 percent above the rate set in 2009.

Geithner and other U.S. officials had been urging China to reform its exchange rate mechanism. At the conclusion of the U.S.-China Strategic and Economic Dialogue in Beijing May 25, Geithner said Chinese leaders had recognized that such changes constituted an important part of their country's broader economic reform agenda.

"Allowing the exchange rate to reflect market forces is important not just to give China the flexibility necessary to sustain more balanced economic growth with low inflation, but also to reinforce incentives for China's private sector to shift resources to more productive, higher-value-added activities that will be important to future growth," he said.

The Treasury said the G20 meeting November 11-12 in Seoul will give world leaders an opportunity to make progress on securing stronger and more balanced economic growth in the aftermath of the worst recession since the Great Depression of the 1930s.

Obama met with Chinese Premier Wen Jiabao on the sidelines of the U.N. General Assembly in New York September 23 and discussed currency concerns and exchange rates in a broader discussion of trade relations, says Jeffrey Bader, an Obama adviser and senior director for Asian affairs on the National Security Council. He said Wen reiterated China's intention to continue with gradual reform of its exchange rate mechanism.

The U.S.-China Strategic and Economic Dialogue meets twice a year to work through a range of bilateral and

multilateral issues. Obama and Chinese President Hu Jintao are expected to meet again at the G20 leaders' meeting in Seoul and the Asia-Pacific Economic Cooperation forum, which follows the G20 meetings in Yokohama, Japan.

### **U.S. Aids Pakistani Areas Hosting Afghan Refugees**

By Stephen Kaufman  
Staff Writer

Washington — The Obama administration has pledged an additional \$1 million to a U.N. High Commissioner for Refugees (UNHCR) program to rehabilitate areas of Pakistan that are hosting or have been affected by Afghan refugees. The contribution supports the agency's efforts to reduce poverty and promote peaceful coexistence and Pakistan's tolerance toward the Afghan population living within its borders.

According to a statement issued October 14 by the State Department, Assistant Secretary of State for Population, Refugees, and Migration Eric Schwartz announced the U.S. intention to contribute the funds during a visit to Islamabad October 8.

The funds will go toward UNHCR's Refugee Affected and Hosting Area (RAHA) Initiative, a joint effort with the Pakistani government that is working to improve "social services, infrastructure and sustainable livelihoods for both Afghan refugee and local Pakistani communities until the situation in Afghanistan is conducive for Afghans to return."

The State Department said RAHA has a five-year, \$140 million budget that focuses on community-implemented projects, a major goal of which is ensuring that the 1.6 million Afghan refugees and other Afghans who are in need of protection in Pakistan "avoid poverty and despair, and have meaningful opportunities for social and economic enhancement."

The contribution comes in addition to \$75 million in other U.S. assistance for Afghan refugees in 2010, including those who are remaining in Pakistan and Iran as well as refugees returning to Afghanistan.

The U.S. assistance reflects support "for policies of tolerance by the government of Pakistan toward Afghan refugees, and for cooperation between the Afghan refugee communities in Pakistan and the Pakistani communities that neighbor them," the statement said, adding that the people and government of Pakistan have "provided gracious, ongoing hospitality" to millions of Afghans who have sought refuge in Pakistan over the past 30 years.

The statement said the Obama administration is "pleased to see the strong focus on RAHA activities by Pakistani

and U.N. officials in both rural and urban areas of Khyber Pakhtunkhwa and Balochistan," but added that RAHA also needs support from other governments for the initiative "to firmly take root."

According to UNHCR, Pakistan hosts one of the largest refugee populations in the world, almost all of whom are from Afghanistan and "live in refugee villages and urban areas." With UNHCR's assistance, roughly 3.5 million Afghans have been repatriated from Pakistan since March 2002.

The five-year RAHA initiative was launched by the Pakistani government with the support of both UNHCR and the U.N. Development Programme within the context of the U.N.'s Delivering As One program, according to UNHCR. The program is investigating how the United Nations can be more coherent and effective in promoting development, humanitarian assistance and the environment.

RAHA was first implemented in Balochistan and Khyber Pakhtunkhwa, previously called the Northwest Frontier province, and aims "to promote the peaceful co-existence of Afghan refugees and the local communities that have hosted them for more than three decades," according to UNHCR.

### **Global Initiative Seeks to Curb Methane Pollution**

By Karin Rives  
Staff Writer

Washington — A colorless hydrocarbon gas, methane doesn't get nearly the attention that its partner in crime, carbon dioxide, receives. But scientists say that while methane gas is responsible for only about 16 percent of human-made greenhouse gases, its capacity of trapping heat in the atmosphere is more than 20 times that of carbon dioxide.

That makes methane an attractive target for governments seeking to address near-term climate change.

Earlier this month, the U.S. Environmental Protection Agency teamed up with Mexico's Ministry of Environment and 36 other countries to renew the push to rein in methane emissions. The European Commission, the Asian Development Bank and the Inter-American Development Bank are also partners in the campaign known as the Global Methane Initiative.

EPA Administrator Lisa Jackson said stronger global action is needed to address the methane problem. She pledged \$50 million over five years from the United States for the initiative.

"Methane emissions pollute the air we breathe and



contribute to the global challenge of climate change, and leaving them untapped is a major missed opportunity," she said when announcing the new campaign. "Through this growing partnership we can convert this harmful pollutant into clean energy and create new economic prospects for people around the world."

The Global Methane Initiative builds on Methane to Markets, an international partnership that began in 2004 to fund projects that capture methane while stimulating economic growth. The U.S. government was one of the partnership founders and pledged \$53 million over five years, much of which has been spent on more than 170 projects worldwide.

So far, those projects have reduced emissions by nearly 30 million tons of carbon dioxide-equivalent annually, equal to taking some 20 million cars off the road for one year.

Coal, agriculture, landfills, and natural gas and oil systems account for about 60 percent of global methane emissions. This is where the United States and its Methane to Market partners have focused their efforts.

#### PROJECT TURNS PIG WASTE INTO ENERGY

One U.S.-supported project is a system for collecting pig waste in the Tu Duong village in Vietnam that converts manure into biogas that villagers use for cooking and lighting. The system uses gravity to collect and transfer manure via a canal from more than 100 backyards where the animals are kept.

The collected waste is sent to a series of local biodigesters — containers that use microorganisms to break down the waste and turn it into biogas that is piped to homes in the village. Homeowners pay a small fee for the gas that pays for system maintenance and to keep an operator employed.

Manure that decomposes naturally releases 20 times more greenhouse gases than biogas does when burned as fuel. Biogas also has less of a greenhouse gas impact than do traditional fuel sources such as wood, which is still widely used for cooking in much of the world.

The Vietnamese project has spawned hundreds of biodigester demonstrations in Thailand, Vietnam and China, EPA reports.

The main barriers to widespread adoption of technologies and systems that capture methane is lack of familiarity, technical know-how, and even cultural prohibitions, said Michael Webber, a professor of mechanical engineering at the University of Texas and a renowned expert on renewable energy technologies.

"There are all sorts of challenges still, but we're seeing activity and investments today that weren't there 20 years ago," he said. "Waste digesters can now pay for themselves in a few years or even months, depending on the system — not decades, as used to be the case."

Better technology and higher energy prices have made such systems more economically feasible than in the past. "People are realizing that there are a lot of energy streams where there's money to be made," Webber said.

#### MINING BYPRODUCT BECOMES POWER

Another methane recovery project the United States helped support was an initiative to drain methane trapped in a large underground Chinese coal seam that would otherwise have been released when the area was mined. Historically, mining companies have released such methane into the air to reduce the risk of explosions, never thinking of it as a second source of income. But that is starting to change.

The China project, the world's largest coal mine-methane project to date, came online in 2008. The U.S. Trade and Development Agency served as an initial project consultant when Methane to Markets and several other project partners offered to help the Sihe Mine in Shanxi Province drain methane from the coal seam and turn it into electricity.

EPA says up to 120 megawatt hours of electricity is generated annually from the mine and transmitted through the local grid, enough to power a small village, while nearly 3 million tons of carbon dioxide-equivalent emissions are avoided.

During Methane to Markets' first five years, more than a quarter of all U.S. funding went to projects in China, the world's most populous nation.

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